



Citation for published version:

Liu, G & Ko, W-W 2014, 'Charity retailing in the United Kingdom: A managerial capabilities perspective', *Journal of Small Business Management*, vol. 52, no. 3, pp. 390-406. <https://doi.org/10.1111/jsbm.12040>

DOI:

[10.1111/jsbm.12040](https://doi.org/10.1111/jsbm.12040)

Publication date:

2014

Document Version

Peer reviewed version

[Link to publication](#)

This is the peer reviewed version of the following article: Liu, G & Ko, W-W 2014, 'Charity retailing in the United Kingdom: A managerial capabilities perspective' *Journal of Small Business Management*, vol 52, no. 3, pp. 390-406., which has been published in final form at <http://dx.doi.org/10.1111/jsbm.12040>. This article may be used for non-commercial purposes in accordance with Wiley Terms and Conditions for Self-Archiving

University of Bath

Alternative formats

If you require this document in an alternative format, please contact:
openaccess@bath.ac.uk

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Title: Charity Retailing in the UK: A Managerial Capabilities Perspective.

Author: Dr. Gordon Liu, and Wai-Wai Ko

Abstract:

Nonprofit organizations are venturing into commercial activities due to the intense competition for the limited government funds and declining availability of donor funds for third sector organizations that address social problems. Charity retailing, a popular choice of commercial activity for nonprofit organization, has filled vacant premises in the high streets of the small towns and suburbs of large cities in the UK. Successful charity retail operation requires distinctive capabilities necessary to manage organizations' resources in commercial environment. Using sixty in-depth elite interviews, we introduce the concept of managerial capabilities for charity retailing. Research propositions and management implications are discussed.

Author Bios:

Dr. Chih-Yao Gordon Liu is a senior lecturer of entrepreneurship in Business School at Bournemouth University at Bournemouth. He received his PhD from the Royal Holloway, University London. His current research interests include cause-related marketing, social enterprise, corporate social responsibility and social alliance. His works had been published in *Journal of Business Ethics* and *Nonprofit and Voluntary Sector Quarterly*.

Wai-Wai Joyce Ko is a Postgraduate Researcher at Royal Holloway, University of London. Her current research interests include knowledge/skill formation, social network, social capital and business ethics. Her work had been published in *Journal of Business Ethics*.

Charity Retailing and Professionalization

In this article, we investigate managerial capabilities in the rising popularity of charity retailing operations under the wider agenda of nonprofit organizations' strategic movements in the competitive marketplace. Charity retailing has become an accepted retail format, which typically fills vacant premises in the high streets of small towns and the suburbs of large cities in the UK (Horne 2000; Parsons 2004a). It represents the most direct way for nonprofit organizations to engage in commercial trading activities. According to the Charity Retail Association (UK),¹ a charity retail store that raises funds through using retailing activities to support charitable work can only be set up by a registered charity (Charity Retail Association 2011). A typical charity retail store is staffed by at least one paid manager accompanied by many volunteers, selling mainly the second-hand goods together with a small percentage of new, bought-in goods (Broadbridge and Parsons 2003; Parsons 2004a,b). The original operating model for charity retailing emphasizes collecting surplus goods from upper class homes and directing their disposal through retail outlets to "less well-off" or "submerged" households (Booth 1890; Horne and Maddrell 2002). As the charity retailing segment has developed, this original model has evolved into a more complex business practice. For example, Oxfam created its own "Ethical Collection" product range, covering from food and drink to jewellery, such as necklaces and earrings, to home and garden accessories by sourcing them through their suppliers who comply with Oxfam's ethical purchasing policy (Oxfam 2011). The British Red Cross introduced a range of specialist shops, such as charity bookshops, bridal charity shops, vintage clothing boutiques, designer charity shops, and so on (British Red Cross 2011). The British Heart Foundation creates online retailing selling from donated goods (through its eBay store), its own gift product lines (i.e. a wedding range) and music downloads (through Fairsharemusic) (British Heart Foundation 2011). To cope with these changes, charity retailers adopt a for-profit-like management strategy, known as

“professionalization”, to transform the practice of charity retailing (Broadbridge and Parsons 2003; Gregson, Brooks, and Crewe 2000).

The act of professionalization reflects on a wide range of charity retailing activities, including store image enforcement, shop standardization, sales targeting and so on (Parsons and Broadbridge 2004). Notable contributions to the literature on charity retailing professionalization with regard to the management approach include the research by Parsons (2004b), that found that the senior management team has adopted many management metrics (i.e. budgets) in order to maximize profits. Horne (1998) suggests that charity shops should develop a business strategy which focuses more on branding, securing consumer loyalty and establishing joint-ventures with other organizations, that will enable them to face the increasingly competitive market environment. Alexander, Cryer, and Wood (2008) suggest that charity shops’ locational decision-making should be based on three criteria: supply-chain (merchandise donator), the workforce factor (especially the volunteers’ availability) and customer demand. Others focus on human resource management concerns, such as Broadbridge and Parsons (2003), who found that the key indicators of professionalization included introducing head office management, establishing standardized policies, and recruiting paid, highly skilled professionals.

Although these contributions are valuable, no one, to our knowledge, has discussed the concept of managerial capability in the charity retailing sector. More specifically, the issue of whether and how charity retailers can move towards professionalization by adopting certain sets of management principles remains poorly understood. In this article, we attempt to answer this question by investigating the factors of managerial capability in the charity retail sector. We first describe our research method, then compare and contrast the views that emerged from the sixty field interviews with sector practitioners. We discuss the concept of the managerial capabilities of the charity retailing sector and develop a series of research

propositions to underpin our findings. In the analysis, we adopt Adner and Helfat's (2003) three managerial attributes as the core themes of managerial capability and compare these with our empirical data in order to develop a field-based view of the managerial capability factors for charity retailing. Finally, we conclude with a discussion that alerts managers to the important issues related to managerial capability.

Research Method

The field research consisted of in-depth "elite" interviews (Blumberg, Cooper, and Schindler 2005) with sixty representatives from sixteen British nonprofits who have engaged in the operation of charity shops throughout the UK. The interview method for data gathering enables the informant to elaborate on his/her beliefs, priorities, activities, and life circumstances in their own words (McCracken 1998). Elite interviews focus on gathering information from the key decision-makers in a field, enabling the researcher to understand how the decisions are made within the organization (Blumberg, Cooper, and Schindler 2005; Goldstein 2002; Berry 2002). Of the sixty individuals interviewed, fifteen held general administration related positions, nine held charity shop management related positions, twelve held external relation management related positions, eleven held marketing/communication related positions, seven held human resource management related positions and six held commercial affairs related positions.

The interviews began with a conversation about the informants' background, such as their role and job duties within the organization. The interviews then proceeded to focus on open-ended questions about the management, strategy, and marketing issues related to the current operation and future perspective of the nonprofit organization and its affiliated charity retailing operation. Regarding the issues in which the managers had been involved, the authors asked the interviewees to describe their experience of dealing with those issues,

which reflects on Adner and Helfat's (2003) themes of managerial capability: managerial human capital, managerial social capital, and managerial cognition. For managerial human capital, the questions focus on how to assess the skills and experience of the staff, and how to allocate and assign tasks to them. For managerial social capital, the questions focus on how the managers access and manage information through their social ties. Therefore, the questions include how to manage the social relationship in order to access the external resources that an organization needs in order to operate. For managerial cognition, we ask questions such as what the decision making process is with regard to retailing related issues and which factors affect this decision making, in order to appraise the managers' beliefs and mental models when making strategic decisions. Since the interview design is semi-structured, these sample questions only provide ideas about the content of the questions that we asked during the interviews. Some modification is necessary in order to tailor them to the candidate's role and the issues that he/she is involved with in relation to operating charity retailing. It is also, sometimes, necessary to explain and clarify some of the questions by using examples, as well as coming up with additional questions to obtain a deeper understanding of the situation.

The potential interviewees are identified from the membership list of the Charity Retail Association. Letters are sent to these nonprofit organizations (or their associated retail operations). In many cases, an organization that is willing to participate in this research will direct these requests to one of their offices that are located close to our base. A total of 80 formal interview invitation letters were sent out by post, explaining the academic purpose of this study. The sample reflects a diverse set of charity shops and positions, and it is well suited to obtaining a rich set of ideas and insights. The purpose of the formal interview invitation letter was to reassure the respondents about the academic nature of the project and its research objectives. Anonymity was offered to and requested by most of the participants.

All of the interviews are digitally recorded and vary in duration from between forty-five and ninety minutes. The interviews were subsequently transcribed and analyzed using what is essentially an inductive approach. Miles and Huberman (1994) define qualitative data analysis as consisting of three concurrent flows of activity: data reduction, data display, and conclusion drawing. Data reduction is the process of selecting, simplifying, abstracting, and transforming the data that appear in the transcriptions and field notes. In this study, we started with a set of general questions and allowed the theory and findings to emerge from the data. We began by highlighting key passages in the transcripts. We then proceeded with the open coding by assigning these quotes to categories, with labels summarizing the key characteristics of their contents. Though a large number of new insights emerged from the study, we focus on the key areas that we wish to explore and those with the greatest potential for stimulating future research. Once these general themes had been identified, we sought out ‘negative’ cases that did not support our ‘emerging’ understanding of knowledge exchange and/or our theoretical framework and tried to produce explanations for them (Titsher, Meyer, Wodak, and Vetter 2000). NVIVO software was used throughout the analysis process, adopting the guidelines produced by Welsh (2002). The themes discussed in the paper reflect the general categories identified in this part of the study. Given the space limitation, we provide brief summaries of the interview data collected under many of the themes. We elaborate on the findings in the next section.

Managerial Capability for Charity Retailing

The resource-based view examines the relationship between the organization’s resources and its performance (Barney 1991). The central premise is that an organization’s sustainable competitive advantage in the marketplace depends on its valuable, rare, in-imitable, and non-substitutable resources (Peteraf 1993; Ray, Barney, and Muhanna 2004). Grant (1991)

provides a further implication that an organization's competitive advantage is not only determined by its ownership or access right to these resources, but also depends on its management's competence in organizing these resources to produce superior performance. Without proper management, the resources alone are unlikely to produce a competitive advantage for the organization (Sirmon and Hitt 2003). Thus, the ability to perform the "proper management" of an organization's resources, in this article, refers to managerial capabilities. The organization that possesses managerial capabilities is able to evaluate, reconfigure, and leverage its resources to take advantage of them in the marketplace (Boeker and Wiltbank 2005; Graves and Thomas 2006; Liao, Kickul, and Ma 2009). The essence of managerial capability builds on the competence of managers to make critical decisions in the different stages of the organization's life cycle (Newbert 2005). Figure 1 shows the field practitioners' views of the factors related to managerial capabilities, which are in line with Adner and Helfat's (2003) three managerial attributes.

[Figure 1 Here]

Theme 1: Managerial Human Capital

In Adner and Helfat's (2003) article, the managerial human capital attribute refers to the managers' skill and experience in managing the given tasks. Under this wider theme, the interviewees in our research suggest that there are two factors that can be used to assess this attribute: 1) managing paid and voluntary staff, and 2) developing organization specific charity retailing skills. Sample quotes are presented in Table 1:

[Table 1 Here]

Managing Paid and Voluntary Staff. The ability to recruit and retain qualified staff assesses the manager's capability to maintain an adequate number of staff with the necessary skills set. Evidence of professionalization in the nonprofit sector is usually associated with a higher percentage of paid professional staff in the organization (Ridder and McCandless

2010). Parsons (2002) supports this view and mentions that paid professional managers bring with them professional skills, knowledge, and experience to the charity retailing sector. In terms of recruiting candidates who possess these qualities, all of our informants acknowledge that their organizations are moving in this direction; however, it is easier said than done. According to retail experts, “retailing” is not just about opening stores in vacant premises, but also involves undertaking a vast number of specialized and sophisticated tasks, such as supply chain management, marketing and so on (Ailawadi and Keller 2004; Brown, Dant, Ingene, and Kaufmann 2005). Thus, it is difficult for typical nonprofit managers who lack knowledge about retailing clearly to identify the skills required for running a successful retail operation. The obstacles do not end here. Even though the managers can successfully identify the types of skills that are necessary, the organization still experiences difficulty in recruiting valuable staff. Ban, Drahnak-Faller, and Towers (2003) indicate that the nonprofit sector is facing difficult challenges in hiring and retaining top-quality professional staff members. Their reasons echo the comments made by the informants, that organizations usually have limited resources to provide professional staff with growth opportunities, job enrichment, and financial rewards.

Although the notion of professionalization gives an incentive for charity retailers to hire paid staff, however voluntary staff still represents the lion’s share of the charity retailing workforce (Parsons and Broadbridge 2004). Thus, effective staff management in the charity retailing sector requires the ability to deal with both a paid and a voluntary workforce. For the paid staff, all of the interviewees suggest that this is straightforward and similar to for-profit organizations. However, the management of voluntary staff becomes more complicated. Although most of our informants agree that paid staff are much easier to manage than voluntary staff, however they cannot deny, as many researchers also agree, that voluntary staff have long been seen as the source of competitive advantage for nonprofit organizations

(Handy and Brudney 2007; Farmer and Fedor 2001). They allow nonprofit organizations to reduce the average cost per unit of workforce to below the market price and enjoy some intellectual contribution from the volunteers.

To manage voluntary staff, our informants suggested several important tactics. Firstly, the charity retailers must build a volunteer database, which lists all of the details of each individual volunteer and their suitability for different jobs. The informants agreed that the key to solving the high turnover problem of the voluntary workforce is to have a detailed plan for finding their replacements. This detailed volunteer database would allow the charity retail manager quickly to identify and contact alternative candidates. Secondly, it is also recommended to take extra care of loyal (long-term) volunteers and assigning them to positions that are more responsible, since these are the ones who are less likely to leave the store at short or no notice. Finally, regular social gatherings are critical in enhancing the volunteers' loyalty. All of the informants agree that charity retailers are social organizations, where people get together to pursue common social objectives. As a result, social bonding among the members is very important in keeping the organization together. The social gatherings are also a great place for the senior management team to discuss the recent policy shifts in the organization. Voluntary staff appears to be more accepting of a new policy implementation in the organization if they have been informed about it regularly. Generally, the charity retailers that can unlock the potential of their voluntary staff appear to be the frontrunners in operating charity retail stores.

Developing Organization Specific Charity Retailing Skills. Collective knowledge refers “to the ways in which knowledge is distributed and shared among members of the organization. It is the accumulated knowledge of the organization stored in its rules, procedures, routines and shared norms which guide the problems solving activities and patterns of interaction among its member” (Lam 2002, p. 69). This type of knowledge can

also be described as “firm specific skills”. All of the interviewees claimed that their organizations have already identified the general skills sets of their staff. This has become standard practice for charity retailers. In order to get ahead of the competition, many of the interviewees reveal that their organizations have started to look for staff who have specific skills that are relevant to their retail operations. For example, if a particular charity retailer decides to carry white goods (i.e. household electronic merchandise), the store staff need to handle customers’ queries about the given items. From Barney and Wright’s (1998) perspective, these specific skills can provide a sustainable competitive advantage for the organization. The reason for this is that general skills are transferable across a variety of firms and all competitors have the potential to acquire staff with general skills. On the other hand, specific skills provide value only to a particular organization and cannot be easily duplicated by the competitors. Our research suggests that charity retailers are starting to look for potential candidates who have specific skills that are relevant to the products offered in their retail outlets.

We also found that the act of communicating the organization’s social value appears to enhance the performance of the staff with regard to the organization’s commercial practice. This result is similar for organizations in the for-profit world, where having a purposeful and well-communicated mission can have positive effects on the staff’s attitude as well as overall organizational performance (Bart, Bontis, and Taggar 2001; Germain and Cooper 1990). This mission-performance linkage also applies to the nonprofit sector. Besides including the social mission communication in the staff development plan, the majority of the interviewees also echoed the importance of systematically providing training in organization-specific skills. A clear measurement of the level of skill is established by this system to assess the progress of the training and development. New training programs will be introduced to ensure that the staff is properly prepared according to the changes made within the organization. For

voluntary staff, we found there only a few charity retailers provide the same level of training and development scheme for them in comparison to those for the paid professional staff. Their arguments are in line with Bussell and Forbes' (2002) findings on the volunteer market, that many nonprofit organizations consider voluntary staff as very important to their organization but few of them are willing to spend further budget on developing their skills, due to financial constraints. As Kotler and Andreasen (1996) argue, voluntary staff's ability to execute a given task is one of the keys to nonprofit organizations' success, and we argue that charity retailers that provide more and better training programs for the voluntary workforce will have a clear advantage in the marketplace.

Theme 2: Managerial Social Capital

The managerial social capital attribute relates to the managers' capability of accessing information through their social ties (Adner and Helfat 2003). Drawing on the findings, we argue that this capability can be assessed by the managers' ability to: 1) build within and cross sector network contacts, and 2) extract resources and information from network relationships. Sample quotes are presented in Table 2:

[Table 2 Here]

Building Within and Cross Sector Network Contacts. The advantage for organizations in having staff who have a lot of network contacts is enormous. Firstly, it allows organizations to access more resources (McGovern 2006; Gelakanycz and Hambrick 1997). For example, Paik and Layana (2010) found that the number of associational ties that nonprofit organizations have positively influences the number of volunteers that nonprofit organizations attract. Secondly, it also allows organizations to collect a diversity of information for advancing the executive decision-making and organizational responsiveness (Burt 1992; Nahapiet and Ghoshal 1998). Both Larson's (1991) research on external

information exchange and Dyer and Nobeoka's (2000) study on international information exchange suggest that these information exchanges allow the organization to make better executive decisions. Firstly, the charity retail executives attempt to recognize the nature of the social contacts that are possessed by the current staff. The second way to obtain the advantage of having network contacts is to recruit new staffs who have many network contacts. Charity retailers consider that job applicants who have many network contacts are desirable candidates for potential recruitment. A key insight is that the informant believes that this kind of staff can bring in their private sector connections to the organization. This is reinforced by Austin's (2000) work, that describes how institutional partnerships are created, nurtured, and extended. This is because network contacts provide some incentives for the managers of other organizations to choose a particular charity retailer as their working partner.

The social network provides an informal environment for its members (i.e. the organization) to exchange their knowledge. Our findings suggest that charity retail managers who are able to address trust issues possess expertise in networking and communication, experience of working in cross organizational cooperative tasks, and knowledge of designing exchange platforms for the exchange. The informant states that charity retailing has become more competitive in recent years, given the rising number of charity retail stores in the UK. Statistics published by the Charity Retail Association in 2009 estimate that there are over seven thousand and five hundred charity retailers in the UK, compared with an estimated three thousand and two hundred in 1990 and six thousand in 2000 (Charity Retail Association 2011). It is beneficial for the manager to interact with the members of the network community by gaining the necessary knowledge and expertise to improve its operational competence. The social network enables its member to access important knowledge that will benefit the business operation (Inkpen and Tsang 2005; Nahapiet and Ghoshal 1998). The

senior management team of a charity retailer views the managers' communication and networking skills as critical to the success of both the managers' individual career in the organization and the organization as a whole.

Extracting Resources and Information from Network Relationships. Cross organization cooperation tasks usually involve at least two organizations, that can be either within sector or cross sector, working together to achieve a common goal. Although a formal cross organization cooperation task is carried out through a strategic alliance, which is when a group of organizations voluntarily enter into a short- or long-term relationship for a particular end and a series of projects that will involve some type of benefit exchange (Tolstoy 2009; Das and Teng 2002), however many of the cross organization cooperation tasks are informal in nature. For example, see Inkpen and Tsang (2005)'s description of an industrial district where universities provide technical and research support for a project that the organizations undertook in the district. Our interviewees suggest that the managers' experience of working on both formal and informal cross organization cooperative tasks provides an advantage on the charity retailers' road to professionalization. They point out the importance of having a person in charge, who has previous experience of working on cross organization cooperative tasks. As research conducted by Stuart and Abetti (1990) suggests, past management experience (such as how to do things) is the most significant variable with regard to a venture's success, as the ways for nonprofit organizations to adopt trading activities such as charity retailing are similar when starting a new venture. Given that engaging in cross organization cooperative tasks is critical for charity retailers' success, it is essential for managers to have past experience of this kind of task.

The informants also reveal that the formulation of a platform for exchanging information and resources can benefit the charity retailing business. This is because such a platform allows charity retailers to learn from each other for the purpose of improving their operational

effectiveness and gathering resources to increase the scale of the benefits that are delivered to their customers. Although the exchange platform enhances the exchange among the participating parties, it relies on the skills of individual managers to organize such platforms. We found that organizing a successful exchange platform is not just about sending out invitations and waiting for the responses. Managers who have the expertise and experience to organize such exchange platforms can enhance the results of the information and resources exchange. Therefore, charity retailers who possess this kind of management knowledge should have an advantage in the business environment.

Theme 3: Managerial Cognition

The last managerial attribute in Adner and Helfat's (2003) model is managerial cognition, which appraises the managers' beliefs and mental models for making strategic decisions. The charity retailer provides a platform for nonprofit organizations to engage in this market-oriented transformation of embracing the market values and methods, whereby their managers endorse the discourse and practices of the business world to advance the material well-being of their recipients. Our findings suggest the managerial capability can be reflected by two factors: 1) establishing professionalism culture within the organization, and 2) implementing a market orientation in the management decision-making process. Sample quotes are presented in Table 3:

[Table 3 Here]

Establishing Professionalism Culture within Organizations. Organizational culture is a rationale for describing the psychology, attitudes, experiences, beliefs and values of an organization. The right attributes can contribute towards the organization's competitive advantage (Barney 1986). The question arises as to how managers in the charity retailing sector can nurture the right attributes in the organizational culture. Our results suggest that

charity retailers need both to establish a balance between the commercial and social mission and to disseminate the businesslike nature of the operation within and between departments. The way to establish a balance between these two missions is to provide a clear picture to the staff working in charity retailing about why the nonprofit organization engages in retailing activities. We refer to this approach as the “cause and effect” approach, which emphasizes the fulfillment of the commercial mission as the way to achieve the social mission. In this setting, a charity retail manager emphasises the importance of the social objective and the fact that adopting a more businesslike approach in the retailing operation can help organizations to achieve this social objective. Alternatively, we also identify another approach that charity retailers use to establish this balance. We refer to this as the “identity transfer” approach, whereby the manager emphasizes communication, since “the charity retailer is a business enterprise that aims to create social value” rather than “the charity retailer is a nonprofit organization that undertakes trading operations”. Contrary to the “cause and effect” approach, the “identity transfer” approach stresses that the social mission is embedded in the wider scope of commercial practice. The manager attempts to create and communicate the social entrepreneurial type of identity (Miller and Wesley II 2010) within the organization. In general, both approaches appear to allow charity retailers to establish a balance between their social and commercial missions.

The second way to develop a professionalism culture is through disseminating the businesslike nature of the operation within and between departments. The informant points out that a charity retail store is still a retail store and so must generate revenue for its associated nonprofit organizations. The managers’ tasks and responsibilities here are to make their staff realize this. Although charity retailers remain dedicated to their organization’s mission, some found it increasingly difficult to remain focused on their social goals when the funds dried up. Charity retailing provides an alternative way for nonprofit organizations to

raise additional funds for charitable purposes. To do this well requires a fundamental mind shift to consider charity retailing as a profit-making activity that can be used to generate revenue for the nonprofit organization. The respondents reveal that managerial competence in disseminating this message throughout the organization plays a critical role in the success of charity retail operations. Goodall's (2000a) work on organizational culture for charity shops indicates that the professionalism culture of charity retailing stands between the commercialism and voluntarism extremes. We found that, although a voluntarism organizational culture serves well within a nonprofit organization, however it cannot be fully applied to retailing operations with a commercial nature. Charity retailing is about inheriting competence from the businesslike commercial retailing model in combination with the voluntarism culture traits of nonprofit organizations to develop a professionalism culture, as Goodall (2000a) argued.

Implementing Market Orientation in the Management Decision-Making Process. To recognize and take advantage of the more competitive retail environment, charity retailers over the years have learnt to adopt business values and techniques to manage their shops (Broadbridge and Parsons 2003; Horne 1998). This allows the managers to make economic business decisions to compete in the high street retailing environment. The respondents suggest that a good charity retail manager not only has the ability to make an appropriate decision in any given situation, but is also able to install a market oriented value system throughout the organization to shape any strategic decisions and outcomes about the organization. Scholars suggest that nonprofit organizations with a higher degree of market orientation are able to utilize market-based resources, reduce dependency on the limited revenue sources, and become more business-like (Macedo and Pinho 2006; Shoham, Ruvio, Vigoda-Gadot, and Schwabsky 2006). The notable conceptual model of market orientation includes Kotler's (1998) three pillars approach, Narver and Slater's (1990) behavior

components, and Kohli and Jaworski's (1990) market orientation constructs. Although different measurements of market orientation have been introduced by many field experts, the central initiative behind this concept remains consistent; that is, how the organization rapidly responds to changes in the competitive market environment (Golann 2006; Schindehutte, Morris, and Kocak 2008). The informants suggest that their actions in scouting their competition allow them quickly to respond to the changes in the market environment. More importantly, it is not just a tactic for a particular charity retail store. It is an organization-wide value system for how to look at the competition. The sign of market orientation also reflects the charity retailers' consumer strategy. We found that the charity retailer attempts regularly to seek consumer feedback and is willing to change its operational strategy in order to respond to these opinions. In relation to the earlier comments on competition research, charity retailers have set up procedures to track the changes that are taking place in the marketplace – a true act of market orientation behavior. These procedures have influenced the way in which business decisions are made as well as the management philosophy at every level of the organization.

According to the comments made by the interviewees, the element that contributes to the development of market-oriented cogitation is to develop a market oriented performance measurement method. We found that charity retailers have two approaches to developing a measurement standard. The internal approach allows charity retailers to look for the best practice business units with the organization and encourage other business units to learn from it. In other words, the standard of measurement is set internally. The external approach allows the charity retailer to search for the best industry practice for the purpose of benchmarking and modernizing the business operation (Prahalad and Hamel 1994). The basic concept of this idea is to gather business intelligence from others and imitate their superior business practice, which usually leads to better performance for the focal organization.

Implications and Conclusion

The goal of this research was to enhance our understanding of managerial capabilities from the practitioners' perspective. We investigated our research questions by interviewing sixty managers/decision-makers from the UK charity retail sector. In terms of managerial human capital, we found the charity retailers face complicated challenges when managing both paid and voluntary staff. Although the general practices of human resource management, such as job descriptions and promotion, serve as a basic guideline for supervising paid staff, however many charity retailers find it difficult to recruit and retain qualified staff, due to the nature of the industry, which often cannot offer competitive compensation and a career building environment in comparison to the private sector. On the other hand, the voluntary staff, who can be seen as a source of competitive advantage for nonprofit organizations (Farmer and Fedor 2001), often have a high turnover rate and cannot usually be expected to fulfill the full work demand and job commitment needed for a given task. Moreover, we also found that, under the current development of the charity retail sector, most of the organizations are able to identify the general skills that are necessary to perform the tasks in this industry. Only a few of them attempt to look for and develop organization specific skills that would provide a competitive edge (Barney and Wright 1998). In the charity retailing setting, the organization specific skills can relate to the skills to perform special services related to the retailer's particular product line. A charity retailer that has the ability to design an organizational policy and managerial system to solve these challenges will appear to have an advantage when employing managerial human capital over the other players in the charity retailer sector. Our findings call into question whether charity retailers have the managerial capability to manage human capital. This suggests:

Proposition 1: In terms of managerial human capital, charity retailers that have a greater capability to: 1) manage paid and voluntary staff; and 2) develop organization specific charity retailing skills, will outperform those that do not.

In terms of managerial social capital, we found that charity retailers have an awareness of the potential benefits that may arise from the existence of social network relationships. The key question that arises here is how charity retailers make the most of these. The answer consists of two parts. The first part of the answer is about building within and cross sector network contacts. From the interview data, we detect three steps that are critical with regard to performing relationship building activities. The first step is to recognize the network contacts that are possessed by the current staff. This involves exploring the potential network contacts that the organization already possesses through its existing staff, which have not yet been made known or fully utilized by them. The second step is to recruit staff who have many additional network contacts, in order further to extend the charity retailer's network connections into uncharted territory by hiring individuals who possess these contacts. The third step is to perform networking and communication activities. This act enables charity retailers not only to strengthen their existing network work relationships, but also construct additional relationships directly, without hiring additional staff. The second part of the answer is to extract resources and information from the network relationship. To do so, the findings suggest that the management team requires knowledge about working on cross organization cooperative tasks and designing an exchange platform for resource and information exchange. Both actions make it possible for charity retailers to maximize the benefits received from the network relationship. Thus, we argue that a charity retailer that has the capability to execute these activities will be a better performer regarding managerial social capital in the charity retailer sector. In general, we can predict:

Proposition 2: In terms of managerial social capital, charity retailers that have a greater capability to: 1) build within and cross sector network contacts, and 2) extract resources and information from the network relationship, will outperform those that do not.

In terms of managerial cognition, the key tasks are to install the market oriented managerial beliefs and values into the charity retailer's decision-making system while maintaining the nonprofit organization's social attributes in the daily operations. As a result, it is critical for the management team to find a balance between the charity retailer's commercial and social mission. To install the market orientation in the business, the manager needs to be able to communicate and explain the concept marketization to the staff and create a businesslike atmosphere within the organization. From a practical perspective, other than disseminating the messages, the manager also needs to have the skills to implement the market orientation at every level of the business operation, as well as design the measurement system to assess the performance with regard to market orientation. To link with Vazquez et al.'s (2002) work, the adoption of market orientation also allows nonprofit organizations to provide better social services than other organizations. In other words, a manager who is able to install this orientation can enhance the charity retailer's both social and commercial orientation. Thus, a charity retailer who is able to exercise all of the above aspects of business practice will be a better performer in terms of managerial cognition in the charity retailer sector. The preceding discussion suggests:

Proposition 3: In terms of managerial cognition, charity retailers that have a greater capability to: 1) establish a professionalism culture within the organizations, and 2) implement market orientation in the management decision-making process, will outperform those that do not.

We have also detected a linkage between managerial human capital, managerial social capital and managerial cognitive ability in the charity retail sector, as Adner and Helfat (2003) proposed. To link managerial human capital and managerial social capital, the manager's knowledge of recruitment and staff development can result in better access to network resources and information. This is because, when the charity retailer is able to hire someone who has potential network contacts, this may enable the organization to make better connections in the social environment. A better training program on networking and communication can improve the staff's capability to build social relationships for the charity retailer. On the other hand, more access to the network resources and information allows the charity retailer to develop organization specific skills and acquire better potential candidates for the leadership positions. To link managerial social capital and managerial cognition, greater access to network resources and information can speed up the charity retailer's transformation into a more market-oriented entity. This is because the resources and information received from the social exchange can influence the staff's attitude towards this increasingly competitive industry and create the urge to change. Conversely, a charity retailer that has market oriented beliefs and values will have a tendency to demand more information in the marketplace, and social networks provide one of the sources of this kind of information (Knox and Gruar 2007). To link managerial cognitive and managerial human capital, a charity retailer that has a high degree of market orientation is able to detect the needs in the marketplace and develop the recruitment and skills development program accordingly. This is because the manager is more familiar with the market condition and what it takes to compete in the business environment. On the other hand, hiring and providing the right training to the staff can trigger the market oriented decision making process, as well as develop a professionalism culture within the organization.

Finally, this research also offers the implications about the differences in the managerial capabilities between charity retailers and for-profit organizations (i.e. commercial retailers). From the managerial human capital perspective, unlike for-profit organizations, charity retailers face the challenge of managing voluntary staff. Although voluntary staff do bring a cost advantage to charity retailers (Farmer and Fedor 2001), however the voluntary nature of their involvement in the charity work makes them difficult to manage. Furthermore, due to the high turnover of voluntary staff, many charity retailers are reluctant to invest resources in their training programs. As a result, the charity retailer needs to adopt a different management philosophy than that of a for-profit organization. For example, charity retailer managers need to pay more attention to managing the replacement of absent staff by building a voluntary staff database. Moreover, retention strategies such as the regular social gatherings and communicating about the organization's social mission to motivate voluntary staff initially to become involved in charity work not only allows charity retailers to retain valuable volunteers but also encourages them to invest more resources in their volunteer training programs. From the managerial social capital perspective, the key difference between the charity retailer and the for-profit organization is that the former needs to develop cross-sector network relationships. As the business model becomes more complex, we found that the managers of the charity retailers inevitably need to establish relationships with their private sector contacts who speak different business languages and have different perspectives on certain issues (i.e. profitability). In order to extract resources from the increasingly important cross sector relationship, the charity retail management team needs to develop different sets of communication and collaboration skills and capabilities when meeting network contacts from different sectors. From the managerial cognitive perspective, the major difference between for-profit and charity retailer managers is that the latter often face the challenge of balancing commercial and social intentions. For-profit managers often do not need to struggle

to make strategic business decisions regarding profit growth objectives and persuading their employees to adopt the same managerial logic. Despite the already challenging tasks of establishing a professionalism culture and market orientation beliefs from scratch, charity retail managers also need to ensure that their organizations are still “nonprofit” rather than “commercial” entities. This may involve charity retailer managers constantly questioning every step that their organizations take towards professionalization regarding whether these steps are insufficient or going too far away from seeking to balance the organization’s commercial and social goals.

In general, our findings extend Adner and Helfat’s (2003) model of managerial capability and provide propositions that have direct managerial implications. The research clearly outlines the factors (see Figure 1) that can be used to measure each of the managerial attributes from Adner and Helfat’s (2003) model, which subsequently contributes to the formation of the charity retailers’ managerial capability. According to the informants’ comments, a charity retailer that possesses these factors will have a clear advantage in the marketplace. Therefore, the operators of charity retailing can use these factors that we identified in this research as a checklist to identify the organization’s strengths and weaknesses and make the necessary changes. We also recognize that there is a limitation to our study. For example, our research does not produce any quantitative measurements for each factor, and we recognize that the act of managing voluntary and paid staff makes an important contribution to the performance of managerial human capital. However, our data sets cannot provide a precise quantitative scale to demonstrate exactly how important this is. Future research might investigate the weight of each factor for all managerial attributes. Despite its limitations, our research contributes to our understanding of the field practitioners’ view of managerial capability in the charity retail sector.

References

- Adner, R. and C. E. Helfat (2003). "Corporate Effects and Dynamic Managerial Capabilities," *Strategic Management Journal* 24, 1011-1025.
- Ailawadi, K. L. and K. L. Keller (2004). "Understanding Retail Branding: Conceptual Insights and Research Priorities," *Journal of Retailing* 804, 331-342.
- Alexander, A., D. Cryer, and S. Wood (2008). "Location Planning in Charity Retail," *International Journal of Retail and Distribution Management* 367, 536-550.
- Austin, J. E. (2000). "Strategic Collaboration between Nonprofits and Business," *Nonprofit and Voluntary Sector Quarterly* 291, 69-97.
- Ban, C., A. Drahnak-Faller, and M. Towers (2003). "Human Resource Challenges in Human Service and Community Development Organizations," *Review of Public Personnel Administration* 232, 133-153.
- Barney, J. B. (1986). "Organizational Culture: Can It Be a Source of Sustained Competitive Advantage?," *Academy of Management Review* 113, 656-665.
- Barney, J. B. (1991). "Firm Resource and Sustained Competitive Advantage," *Journal of Management* 171, 99-120.
- Barney, J. B. and P. M. Wright (1998). "On Becoming A Strategic Partner: The Role of Human Resources in Gaining Competitive Advantage," *Human Resource Management* 371, 31-46.
- Bart, C. K., N. Bontis, and S. Taggar (2001). "A Model of the Impact of Mission Statements on Firm Performance," *Management Decision* 391, 19-35.
- Berry, J. M. (2002). "Validity and Reliability Issues in Elite Interviewing," *Political Science and Politics* 354, 679-682.
- Blumberg, B., D. R. Cooper, and P. S. Schindler (2005). *Business Research Methods*, Berkshire.: McGraw-Hill Education.

- Boeker, W. and Wiltbank, R. (2005). New Venture Evolution and Managerial Capabilities, *Organization Science* 162, 123-133.
- Booth, W. (1890). *In Darkest England and the Way Out*. London.: Salvation Army
- British Heart Foundation (2011), "Shops", <http://www.bhf.org.uk/default.aspx> (Accessed May 9, 2011)
- British Red Cross (2011), "Our Specialist Shops", <http://www.redcross.org.uk/Get-involved/Our-shops/Our-specialist-shops> (Accessed May 9, 2011)
- Broadbridge, A. and E. Parsons (2003). "UK Charity Retailing: Managing in a Newly Professionalised Sector," *Journal of Marketing Management* 19, 729-748.
- Brown, J.R., R. P. Dant, C. A. Ingene, and P. J. Kaufmann (2005). "Supply Chain Management and The Evolution of the Big Middle," *Journal of Retailing*, 81(2), 97-105.
- Burt, R. S. (1992). *Structural Holes: The Social Structure of Competition*. Cambridge, MA.: Harvard University Press.
- Bussell, H., and D. Forbes (2002). "Understanding the Volunteer Market: The What, Where, Who and Why of Volunteering," *International Journal of Nonprofit and Voluntary Sector Marketing* 75, 244-257.
- Cabinet Office (2006). *Social Enterprise Action Plan Scaling New Heights*. London.: Office of the Third Sector, Cabinet Office
- Cappelli, P. (2008). "Talent Management for the Twenty-First Century," *Harvard Business Review* 863, 74-83.
- Castanias, R. P., and C. E. Helfat (1991). "Managerial Resources and Rents," *Journal of Management* 17, 155-171.
- Charity Retail Association (2010). "FAQs: Charity Shops"
http://www.charityshops.org.uk/faqs_shop.html (Assessed May 9, 2011).

- Das, T. K. and B. S. Teng (1998). "Between Trust and Control: Developing Confidence in Partner Cooperation in Alliance," *Academy of Management Review* 233, 491-513.
- Das, T. K. and B. S. Teng (2002). "Alliance Constellations: A Social Exchange Perspective," *Academy of Management Review* 27, 445-456.
- DeSimone, R. L., J. M. Werner, and D. M. Harris (2002). *Human Resource Development*, Fort Worth.: Harcourt College Publishers
- Dyer, J. H. and K. Nobeoka (2000). "Creating and Managing A High Performance Knowledge-Sharing Network: The Toyota Case," *Strategic Management Journal* 213, 345-367.
- Farmer, M. S. and D. B. Fedor (2001). "Changing the Focus on Volunteering: An Investigation of Volunteers' Multiple Contributions to A Charitable Organization," *Journal of Management* 27, 191-211.
- Gelatkanycz, M. A., and D. C. Hambrick (1997). "The Strategic Value of CEO External Directorate Networks: Implications for CEO Compensation," *Strategic Management Journal* 229, 889-898.
- Germain, R. and B. Cooper (1990). "How a Customer Mission Statement Affects Company Performance," *Industrial Marketing Management* 191, 47-54.
- Golann, B. (2006). "Achieving Growth and Responsiveness: Process Management and Market Orientation in Small Firms," *Journal of Small Business Management* 44, 369-385.
- Goldstein, K. (2002). "Getting in the Door: Sampling and Completing Elite Interview," *Political Sciences and Politics* 354, 669-672.
- Goodall, R. (2000a). "Organising Cultures: Voluntarism and Professionalism in UK Charity Shops," *Voluntary Action* 31, 43-57.
- Goodall, R. (2000b). "Charity Shops in Sectoral Contexts: the View from the Boardroom," *International Journal of Nonprofit and Voluntary Sector Marketing* 52, 102-112.

- Graves, C., and J. Thomas (2006). "Internationalization of Australian Family Businesses: A Managerial Capabilities Perspective," *Family Business Review* 193, 207-224.
- Gregson, N, K. Brooks and L. Crewe (2000). "Narratives of Consumption and the Body in the Space of the Charity Shop," in *Commercial Cultures: Economies, Practices, Spaces*. Ed. P. Jackson, M. Lowe, D. Miller and F. Mort. Oxford.: Berg, 101-121.
- Handy, F., and J. L. Brudney (2007). "When to Use Volunteer Labour Resource? An Organizational Analysis for Nonprofit Management," *Vrijwillige Inzet Onderzocht (VIO, Netherlands)* 4, 91-100.
- Horne, S. (1998). "Charity Shops in the UK," *International Journal of Retail and Distribution Management* 264, 155-161.
- Horne, S. and Maddrell, A. (2002). *Charity Shops, Consumption, Retailing and Society*. London: Routledge.
- Inkpen, A. C., and E. W. K. Tsang (2005). "Social Capital, Networks and Knowledge Transfer," *Academy of Management Review* 301, 146-165.
- Knox, S., and C. Gruar (2007). "The Application of Stakeholder Theory to Relationship Marketing Strategy Development in a Non-Profit Organization," *Journal of Business Ethics* 75, 115-135.
- Kohli, A. K., and B. J. Jaworski (1990). "Market Orientation: The Construct, Research Propositions, and Managerial Implications," *Journal of Marketing* 54, 1-18.
- Kotler, P. (1988). *Marketing Management*, Englewood Cliffs, NJ.: Prentice-Hall, Inc.
- Lam, A. (2000). "Tacit Knowledge, Organizational Learning and Societal Institutions: An Integrated Framework," *Organization Studies* 213, 487-513.
- Larson, A. (1991). "Partner Networks: Leveraging External Ties to Improve Entrepreneurial Performance," *Journal of Business Venturing* 63, 178-188.
- Liao, J., J. R. Kickul, and H. Ma (2009). "Organizational Dynamic Capability and Innovation:

- An Empirical Examination of Internet Firms,” *Journal of Small Business Management* 47, 263-286.
- Macedo, I. M. and J. C. Pinho (2006). “The Relationship between Resource Dependence and Market Orientation: The Specific Case of Non-Profit Organization,” *European Journal of Marketing* 405, 533-553
- McCracken, G. (1998). *The Long Interview*, Thousand Oaks, CA.: Sage Publications
- McGovern, P. (2006). “Learning Networks as an Aid to Developing Strategic Capability among Small and Medium-Sized Enterprises: A Case Study from the Irish Polymer Industry,” *Journal of Small Business Management* 44, 302-305.
- Miller, T. L., and C. L. Wesley II (2010). “Assessing Mission and Resources for Social Change: An Organizational Identity Perspective on Social Venture Capitalists’ Decision Criteria,” *Entrepreneurship Theory and Practice* 344, 705-733.
- Nahapiet, J., and S. Ghoshal (1998). “Social Capital, Intellectual Capital, and The Organizational Advantage,” *Academy of Management Review* 232, 242-266.
- Narver, J. C., and S. F. Slater (1990). “The Effect of a Market Orientation on Business Profitability,” *Journal of Marketing* 544, 20-35.
- Newbert, S. L. (2005). “New Firm Formation: A Dynamic Capability Perspective,” *Journal of Small Business Management* 43, 55-77.
- Oxfam (2011), “The Ethical Choice: Every Product in the Ethical Collection Has Been Sourced in Line with Oxfam’s Ethical Purchasing Policy.”
<http://www.oxfam.org.uk/shop/content/ethicalcollection/ethics/default.html> (Accessed May 9, 2011)
- Paik, A. and L. Navarre-Jackson (2010). “Social Networks, Recruitment and Volunteering: Are Social Capital Effects Conditional on Recruitment?” *Nonprofit and Voluntary Sector Quarterly*, doi:10.1177/0899764009354647

- Parsons, E. (2004a). "Charity Retailing in the UK: A Typology," *Journal of Retailing and Consumer Services* 11, 31-40.
- Parsons, E. (2004b). "Charity Shop Managers in the UK: Becoming More Professional?", *Journal of Retailing and Consumer Services* 11, 259-268.
- Parsons, E., and A. Broadbridge, (2004). "Managing Change in Nonprofit Organizations: Insights from the UK Charity Retail Sector," *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 15(3), 227-242.
- Peteraf, M. A. (1993). "The Cornerstones of Competitive Advantage: A Resource-Based View," *Strategic Management Journal* 14(3), 179-191.
- Prahalad, C. K. and G. Hamel (1994). "Strategy as a Field of Study: Why Search for a New Paradigm?" *Strategic Management Journal* 15, 5-16.
- Ray, G., J. B. Barney, and W. A. Muhanna (2004). "Capabilities, Business Processes, and Competitive Advantage: Choosing the Dependent Variable in Empirical Tests of the Resource-Based View," *Strategic Management Journal* 25, 23-37.
- Ready, D. A., and J. A. Conger (2007). "Make Your Company a Talent Factory," *Harvard Business Review* 85, 68-77
- Reid, M. A., H. Barrington, and M. Brown (2004). *Human Resource Development 7th edition*, London.: Chartered Institute of Personnel and Development
- Ridder, H. G., and A. McCandless (2010). "Influences on the Architecture of Human Resource Management in Nonprofit Organizations: An Analytical Framework," *Nonprofit and Voluntary Sector Quarterly* 39, 124-141.
- Schindehutte, M., M. H. Morris, and A. Kocak (2008). "Understanding Market-Driving Behavior: The Role of Entrepreneurship," *Journal of Small Business Management* 46, 4-26

- Shoham, A., A. Ruvio, E. Vigoda-Gadot, and N. Schwabsky (2006). "Market Orientations in the Nonprofit and Voluntary Sector: A Meta-Analysis of Their Relationships with Organizational Performance," *Nonprofit and Voluntary Sector Quarterly* 353, 453-476.
- Sirmon, D. G., and M. A. Hitt (2003). "Managing Resources: Linking Unique Resources, Management, and Wealth Creation in Family Firm," *Entrepreneurship Theory and Practice* 274, 339 -358.
- Stuart, R. W., and P. A. Abetti (1990). "Impact of Entrepreneurship and Management Experience on Early Performance," *Journal of Business Venturing*, 53, 151-162.
- Titscher, S., M. Meyer, R. Wodak, and E. Vetter (2000). *Methods of Text and Discourse Analysis*. London.: Sage
- Tolstoy, D. (2009). "Knowledge Combination and Knowledge Creation in a Foreign-Market Network," *Journal of Small Business Management* 47, 202-220.
- Tsai, W., and S. Ghoshal (1998). "Social Capital and Value Creation: The Role of Intrafirm Networks," *Academy of Management Journal* 414, 464-476.
- Vazquez, R., L. I. Alvarez, and M. L. Santos (2002). "Market Orientation and Social Services in Private Nonprofit Organization," *European Journal of Marketing*, 369, 1022-1046.
- Welsh, E. (2002). "Dealing with Data: Using NVivo in the Qualitative Data Analysis Process," *Qualitative Social Research*, 32, 20-30

¹ The Association of Charity Shops changed its name to the Charity Retail Association following consultation with its members in 2010.